

REITs in Today's Investment Portfolio: Opportunities, Challenges and Impact of the Credit Crisis

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Session Outline

- The Credit Crisis
- Opportunity in Crisis
- Global REIT Market
 Overview, Trends & Opportunities
- New FTSE EPRA NAREIT Indexes
- Questions

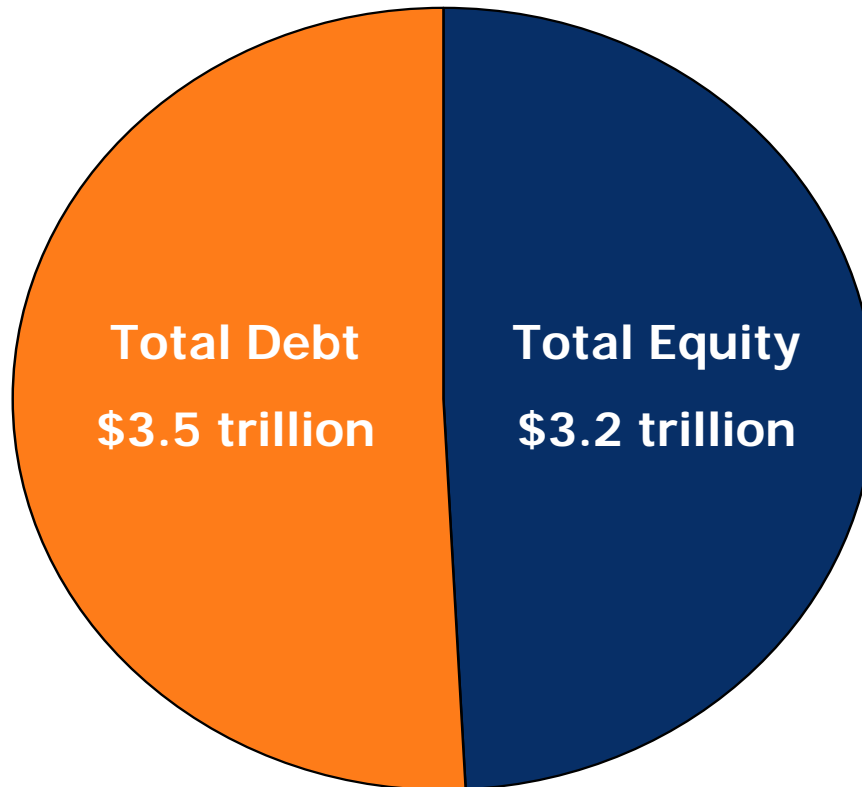


The Credit Crisis Impact on REITs and Real Estate



US Commercial Real Estate Debt and Equity

Investment-grade, income-producing real estate
\$6.7 trillion as of June 2008

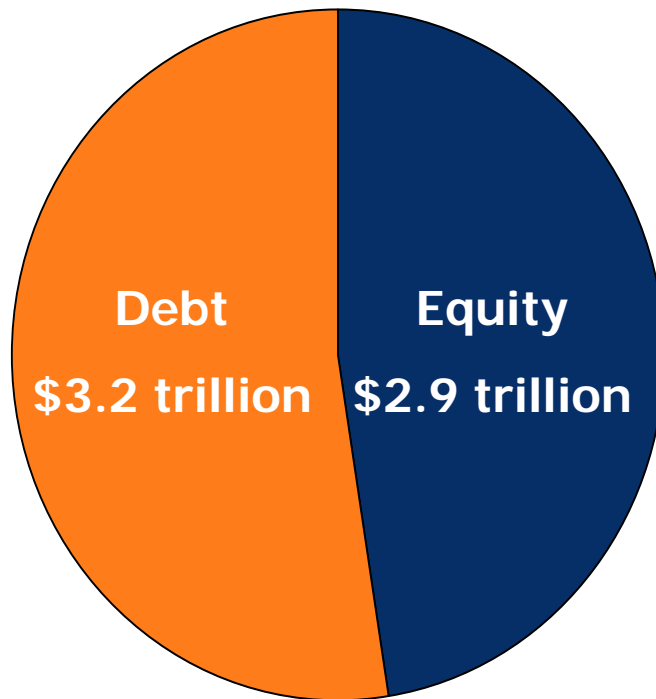


Source: JPMorgan Asset Management

Commercial Real Estate Debt and Equity

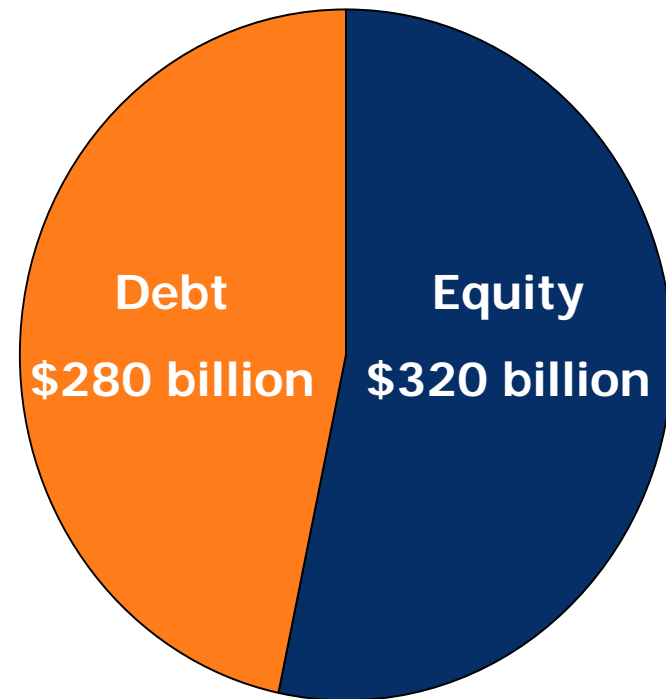
Public and Private Ownership as of June 2008

Private Ownership



\$6.1 trillion

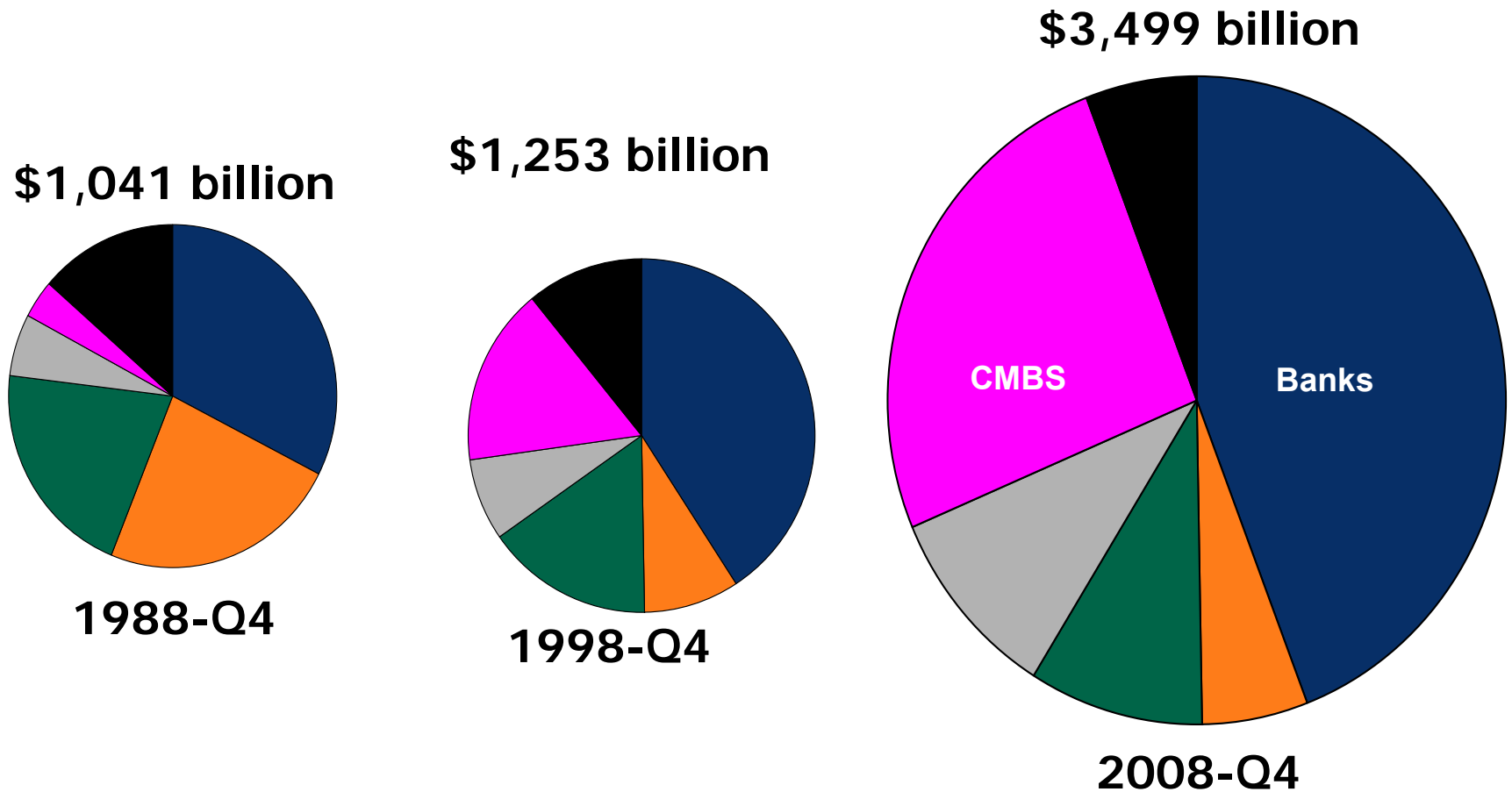
Public Ownership



\$0.6 trillion

Commercial Mortgage Debt Outstanding

By source of funds



■ Banks ■ Thrifts ■ Insurance ■ Government ■ CMBS ■ Other

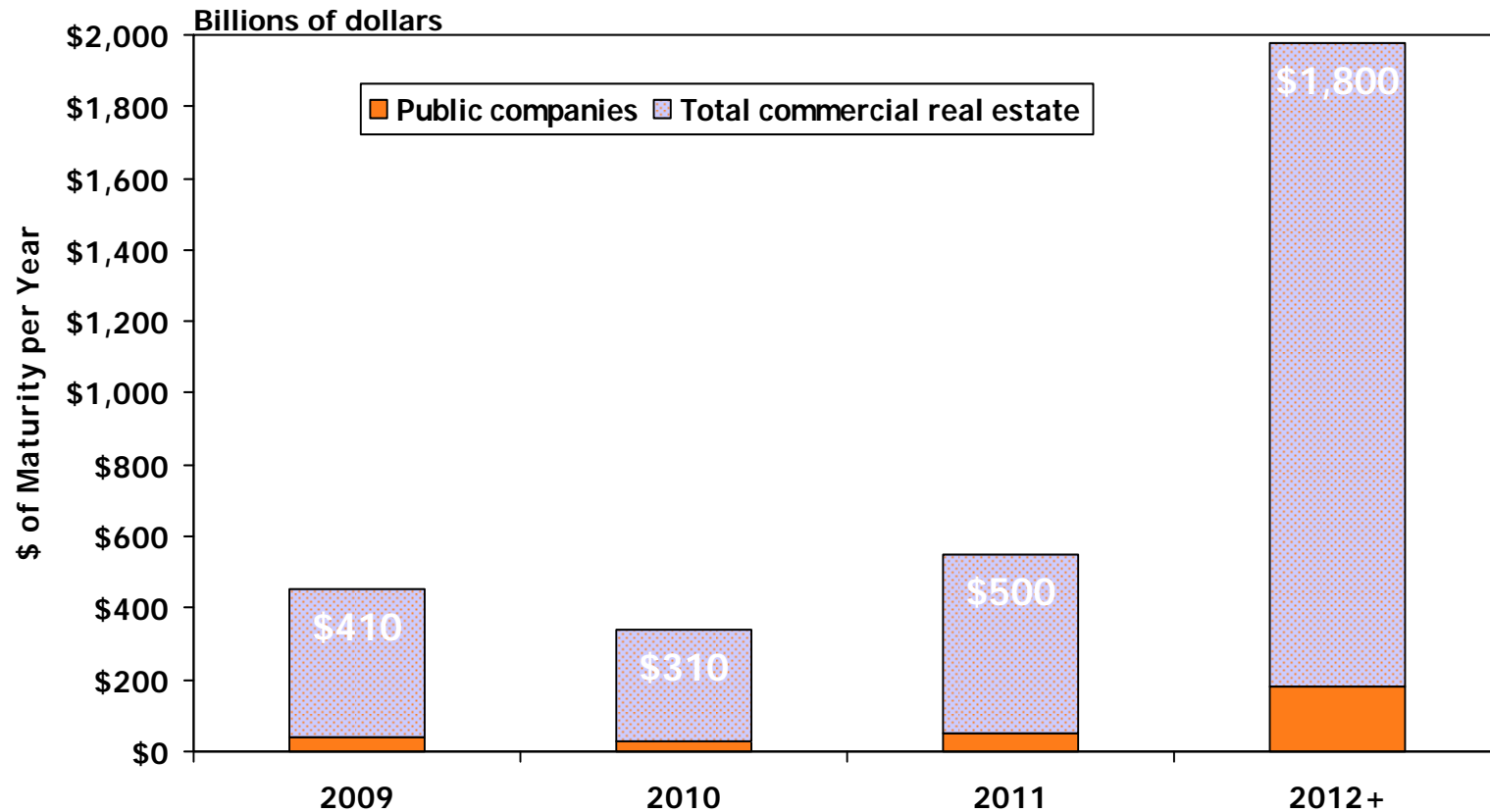
Source: Federal Reserve Flow of Funds Accounts of the United States



Commercial Real Estate Debt Maturities

Including secured and unsecured debt

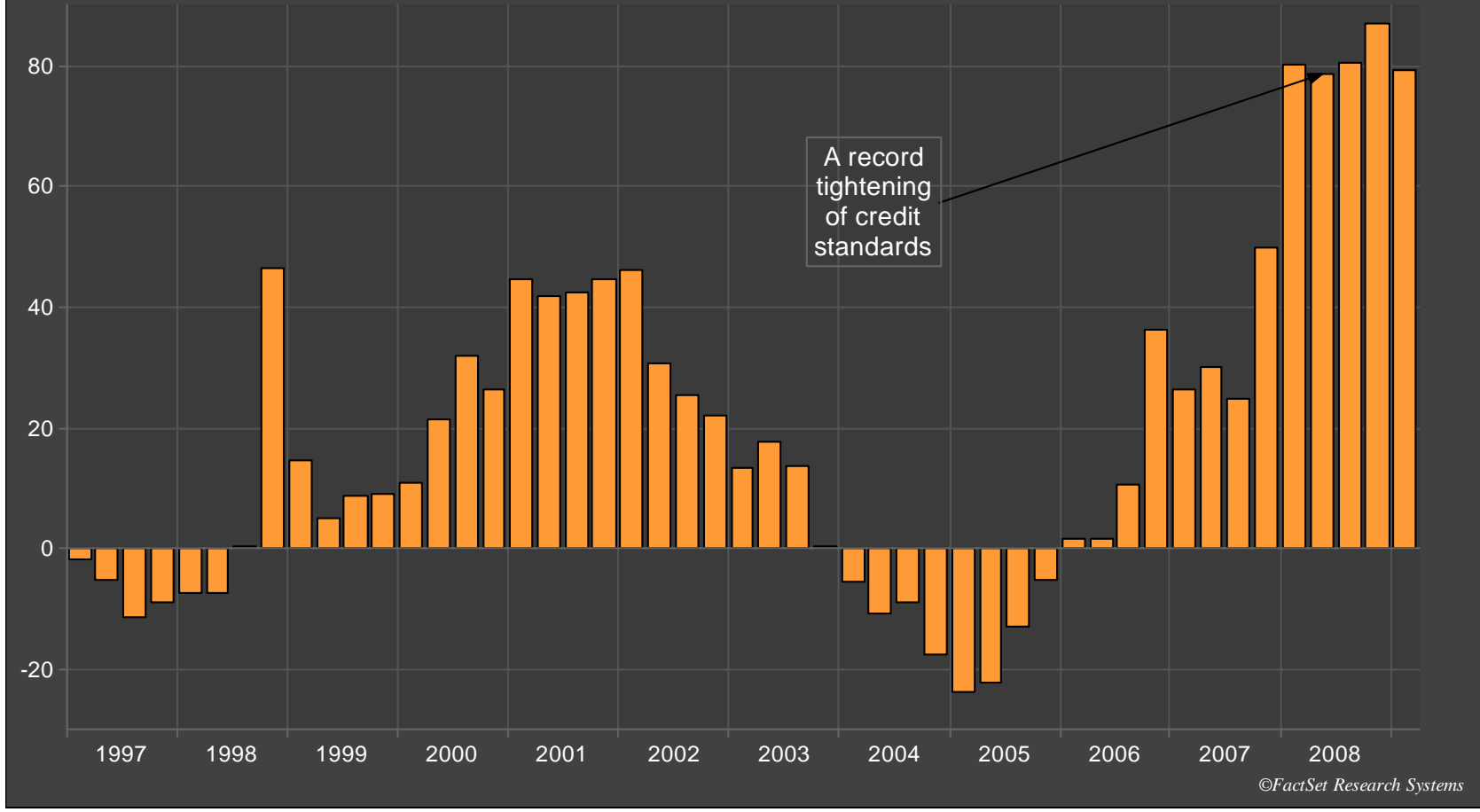
Debt Maturities by Year



Sources: Goldman Sachs and REIT filings

Commercial Real Estate Loans at Banks

CRE credit standards: 1997:Q1 - 2009:Q1

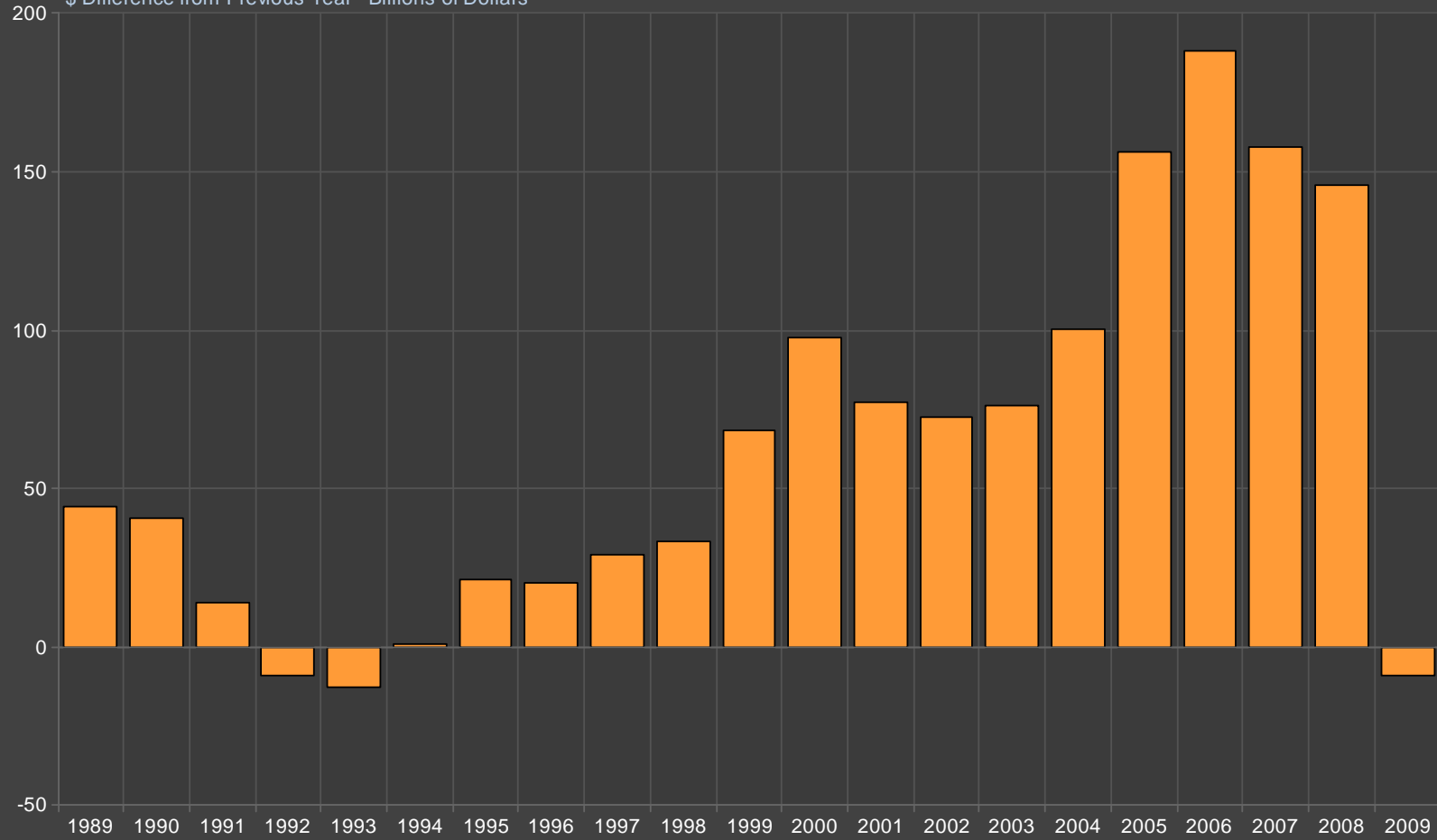


Source: Federal Reserve Board Senior Loan Officer Opinion Survey on Bank Lending Practices (January 2009)

Commercial Real Estate Loans at Banks

CRE Lending Volume: 1989 - 2009

\$ Difference from Previous Year - Billions of Dollars



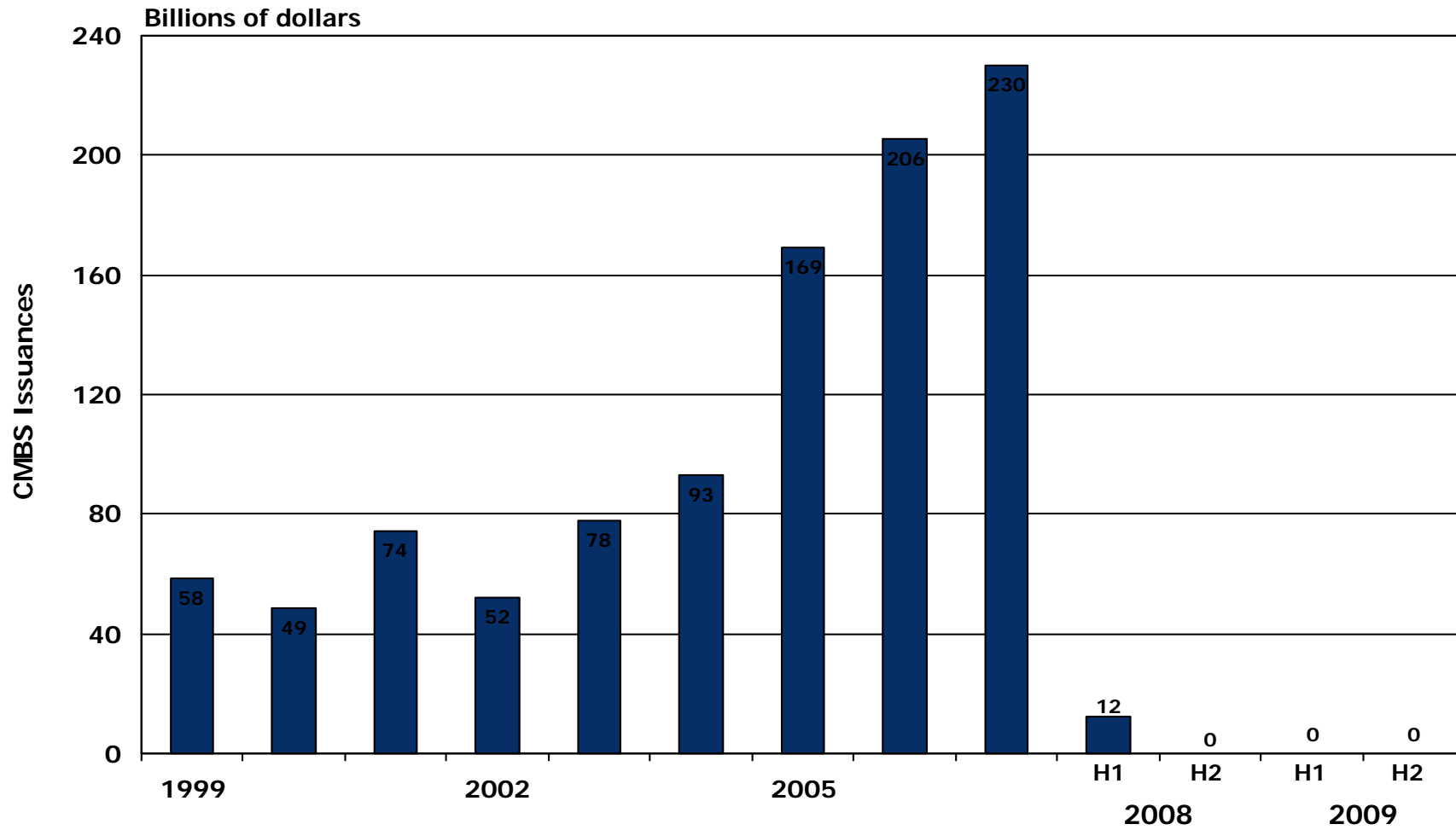
©FactSet Research Systems

Note: Data through April 1, 2009 | Source: Federal Reserve Board

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Securitized Commercial Real Estate Loans

CMBS issuance volume: 1999 - 2009



Sources: Commercial Mortgage Alert



Opportunity in Crisis



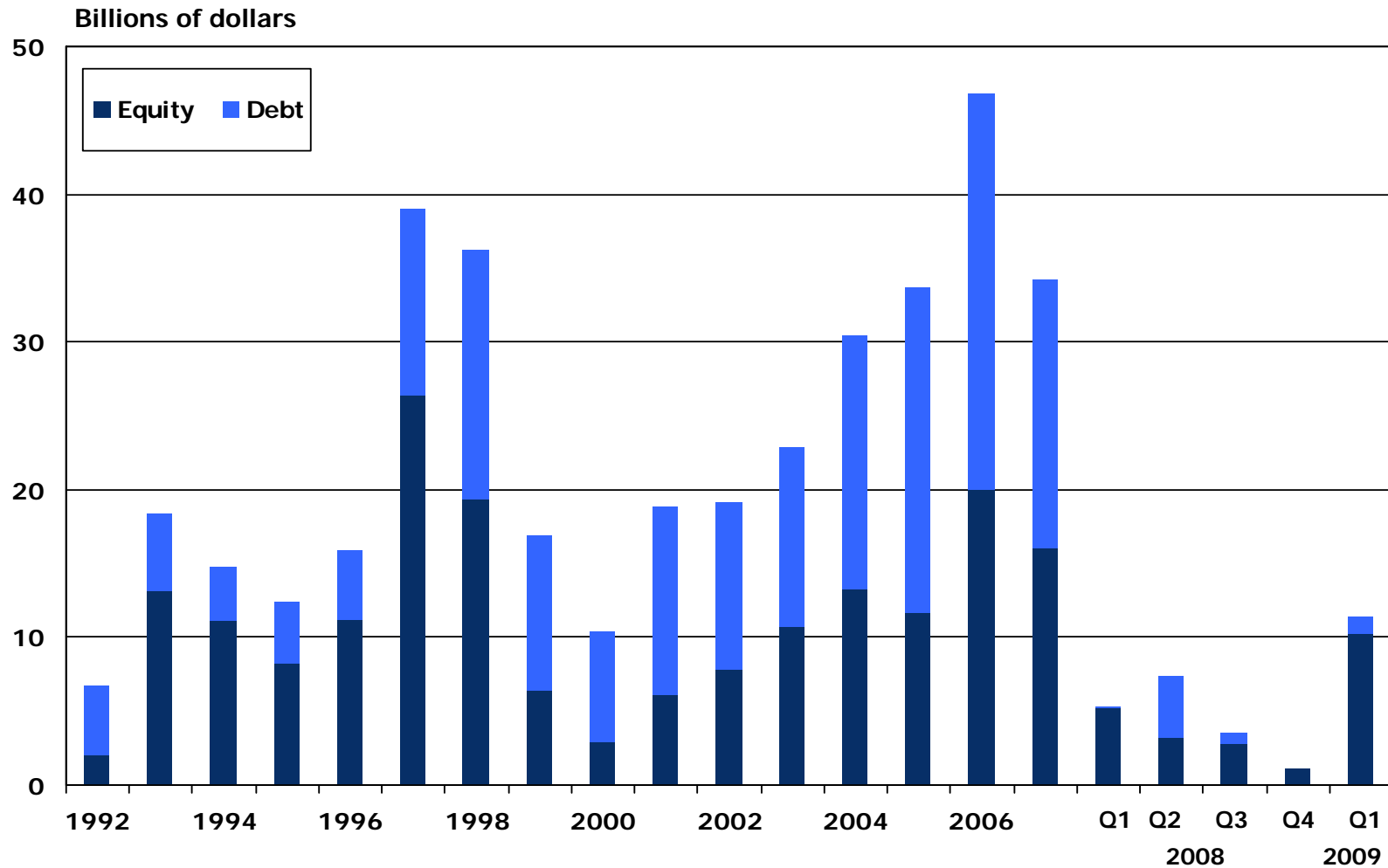
Background

- In 2007, weakening house prices triggered rising defaults in the subprime-mortgage market, leading to a broad re-pricing of risk and revaluation of assets
- Credit markets tightened, and asset values declined
- Major REIT stock price indexes declined 75% from their peak in February 2007 through early March 2009
- For 2008, total returns were -10.0% for core funds, -19.6% for value-added funds, and -37.9% for opportunity funds
- For 2008:Q4 and 2009:Q1, core funds declined a cumulative 25%
- Public markets have led private markets by 4-5 quarters on average

Opportunity in Crisis

- Commercial real estate will recapitalize with more equity and less debt
- REITs and listed real estate provide a successful platform
 - More equity and less debt
 - More liquidity and less illiquidity
 - More transparency and less opacity
 - More simplicity and less complexity
- US REITs have raised approximately \$12 billion of debt and equity in the past 2 months to re-capitalize, de-leverage and re-position
- Share prices of US REITs have risen about 35% from early March
- Share prices still trade at appreciable discounts to net asset values
- Substantial government programs in place to restore credit markets

Securities Offerings of US Listed REITs



Note: Data as of April 24, 2009 | Sources: NAREIT® and SNL Financial



Economic and Financial Outlook

- Restoring long-run economic growth likely will take time
- Credit markets remain tight; debt refinancing remains challenging
- Bank balance sheets remain tenuous
- Long-term impact on consumers of wealth destruction and lower expected investment returns
- Deflation still a near-term risk; inflation ultimately will prevail
- Large government programs underway to restore credit markets, build confidence and renew securities markets, but will take time
- Need to address unstable global capital flows and inadequate financial regulation

Outlook for Real Estate Investment

- De-leveraging and re-capitalization
- Higher cap rates; lower property valuations
- Debt maturities and refinancing
- Still, real estate remains the most frequent “alternative” investment
 - Core asset class in most institutional portfolios
 - Listed real estate or private equity
- Dedicated allocations in the range of 8% - 15%
- Tax-deferred savings plans structured for listed real estate investment
- Current discounts to NAVs provide significant value opportunity

The Global REIT Market

Overview

Trends

Opportunities



Real Estate Market Size

Total world stock market - market cap	\$28,852 billion*
Total world real estate cap (2007)	\$19,346 billion
Total listed real estate - market cap	\$1,159 billion*
Listed real estate as a % of world real estate	6%

* Figures in \$USD

Source: EPRA, FTSE EPRA/NAREIT Global Real Estate Series, Mar 09

Market Size by Region

Total world real estate cap by region:	Listed real estate cap by region:
EMEA \$8 trillion	EMEA \$254 billion
Americas \$7.3 trillion	Americas \$396 billion
Asia Pacific \$4 trillion	Asia Pacific \$509 billion

Figures in \$USD

Source: EPRA, FTSE EPRA/NAREIT Global Real Estate Series, Mar 09

Listed Real Estate Market Size

Total listed real estate - market cap	\$1,159 billion*
Total Global Equity Index market cap	\$345 billion
Index real estate as a % of listed real estate	30%

* Figures in \$USD

FTSE EPRA/NAREIT Global Real Estate Series:

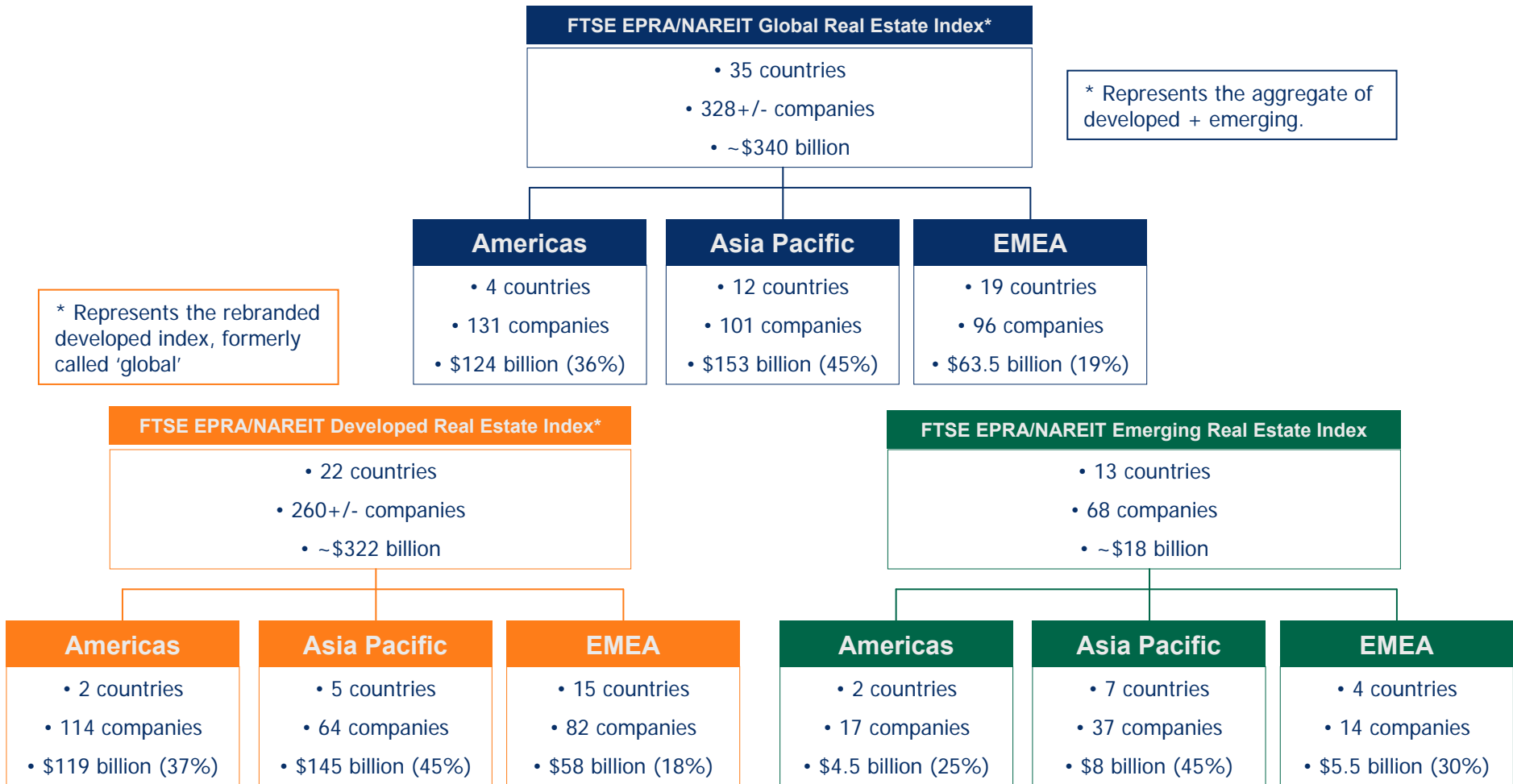
- Asia Pacific \$155 million
 - Americas \$125 million
 - EMEA \$65 million

Source: EPRA, FTSE EPRA/NAREIT Global Real Estate Series, Mar 09

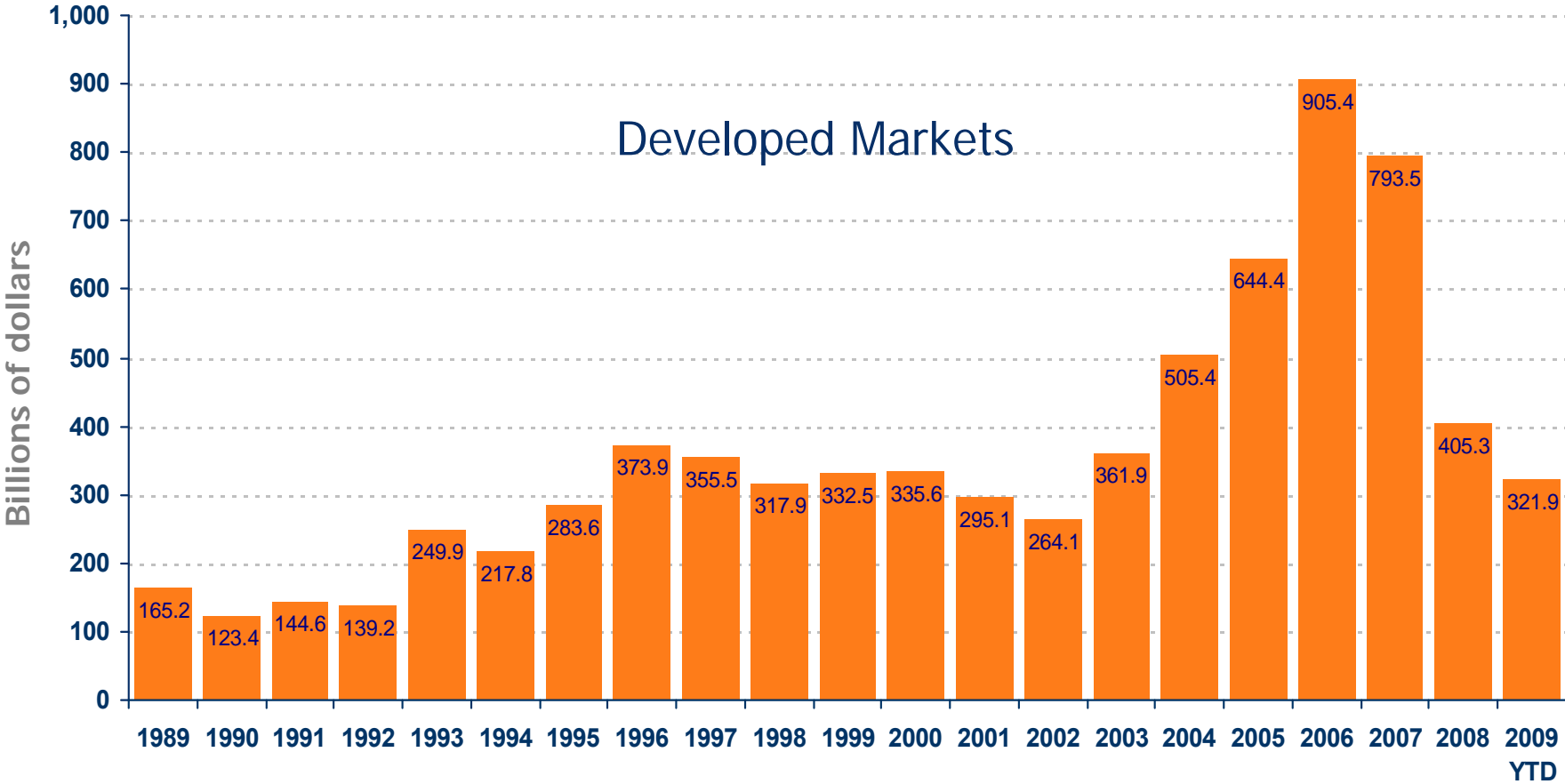
FTSE EPRA/NAREIT Global Real Estate Indexes



Global Breakdown (at 31 Mar 2009)

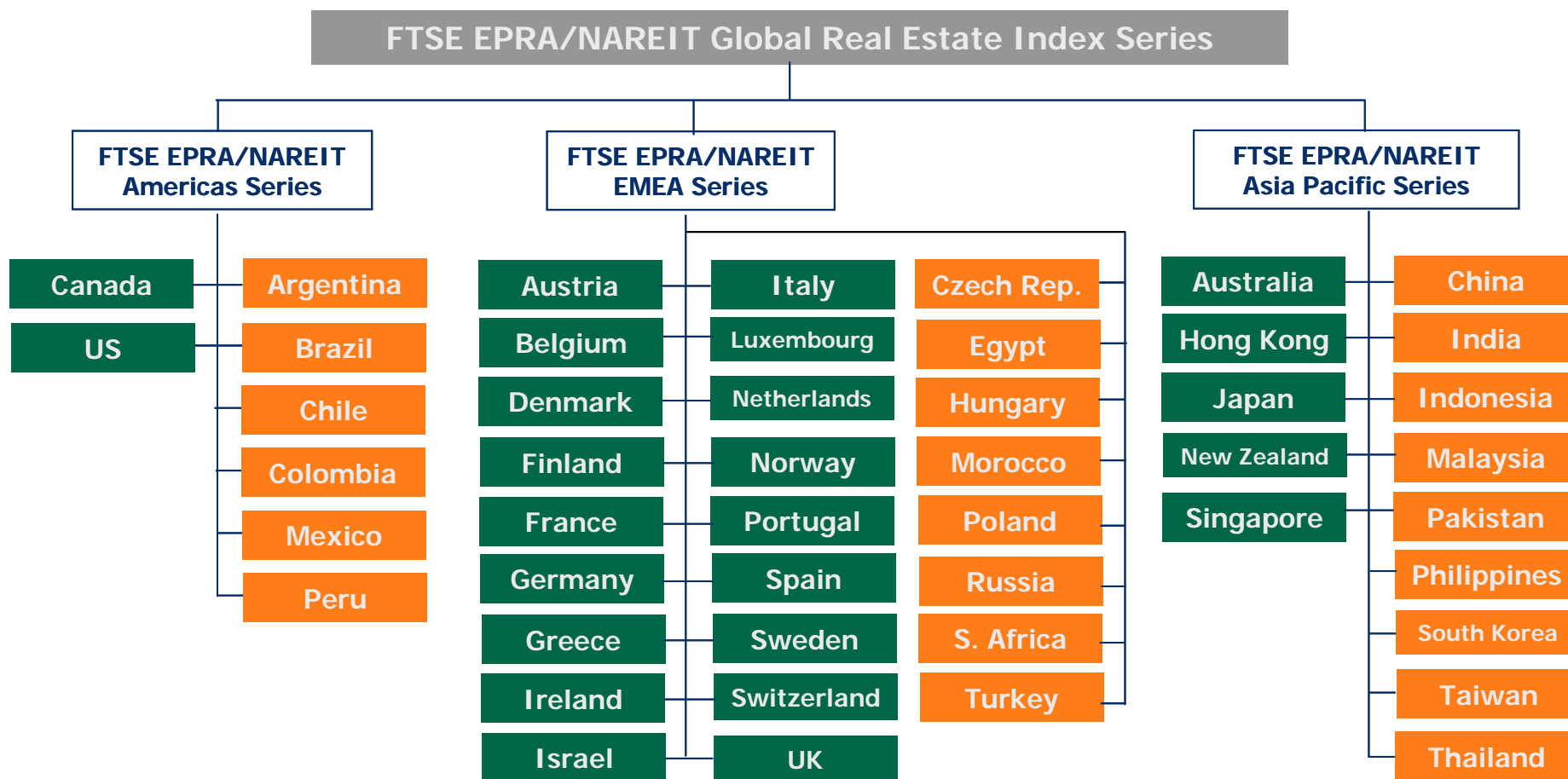


Growth in Equity Market Cap of Global Listed Real Estate

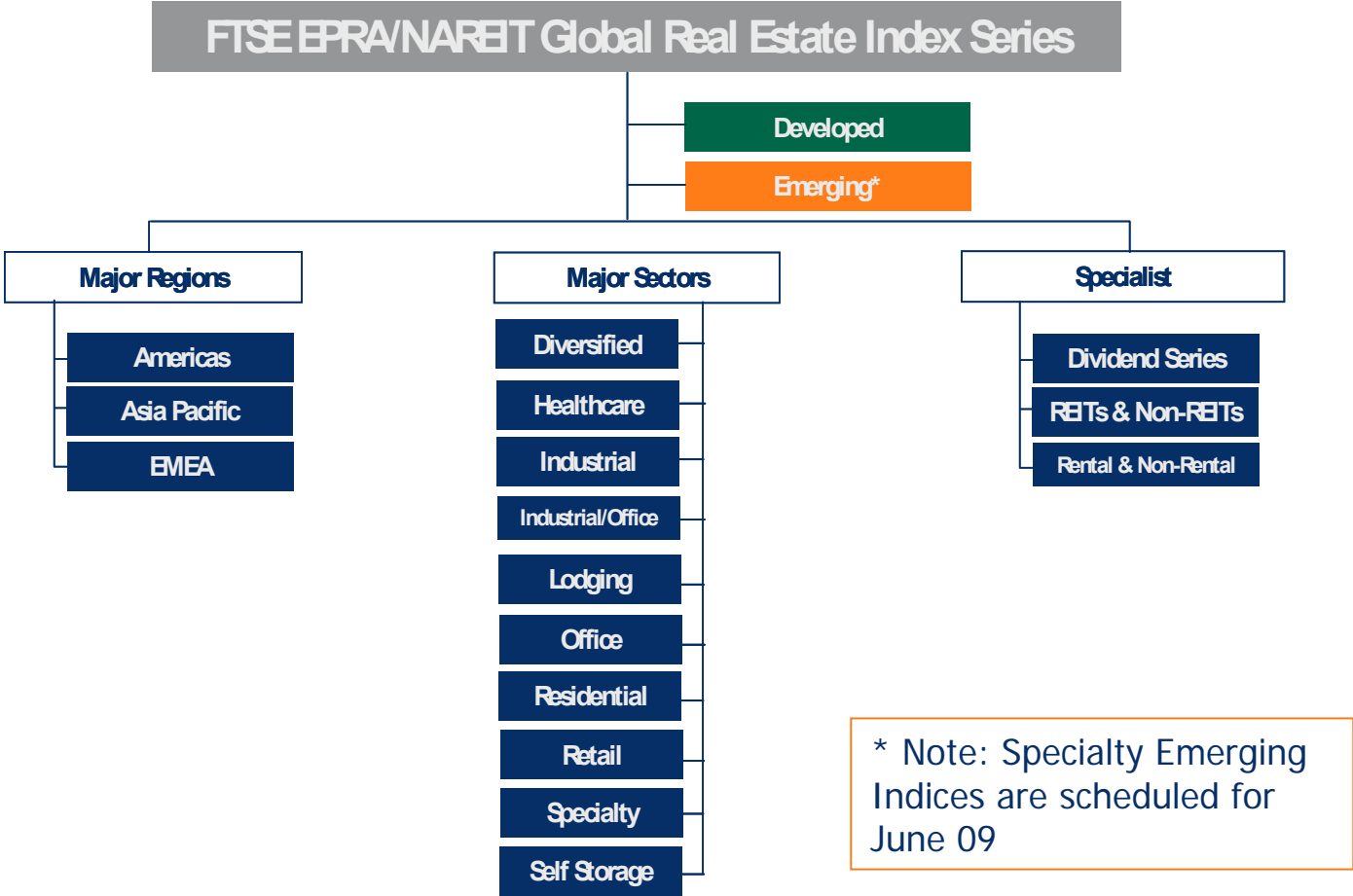


FTSE EPRA/NAREIT Global Real Estate Index 1989 – December 2008

Eligible countries



FTSE EPRA/NAREIT Family



Global Sector Performance

Sector	YTD Return (%)	Div Yield (%)
Industrial	-41.29	17.43
Residential	-11.89	7.28
Specialty	-12.90	4.28
Self-Storage	-28.75	5.23
Retail	-20.48	8.64
Office	-18.24	8.40
Lodging/Resorts	-35.36	9.49
Industrial/Office	-23.48	11.16
Healthcare	-24.05	9.60
Diversified	-14.24	6.02

FTSE EPRA/NAREIT Global Real Estate Indexes



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